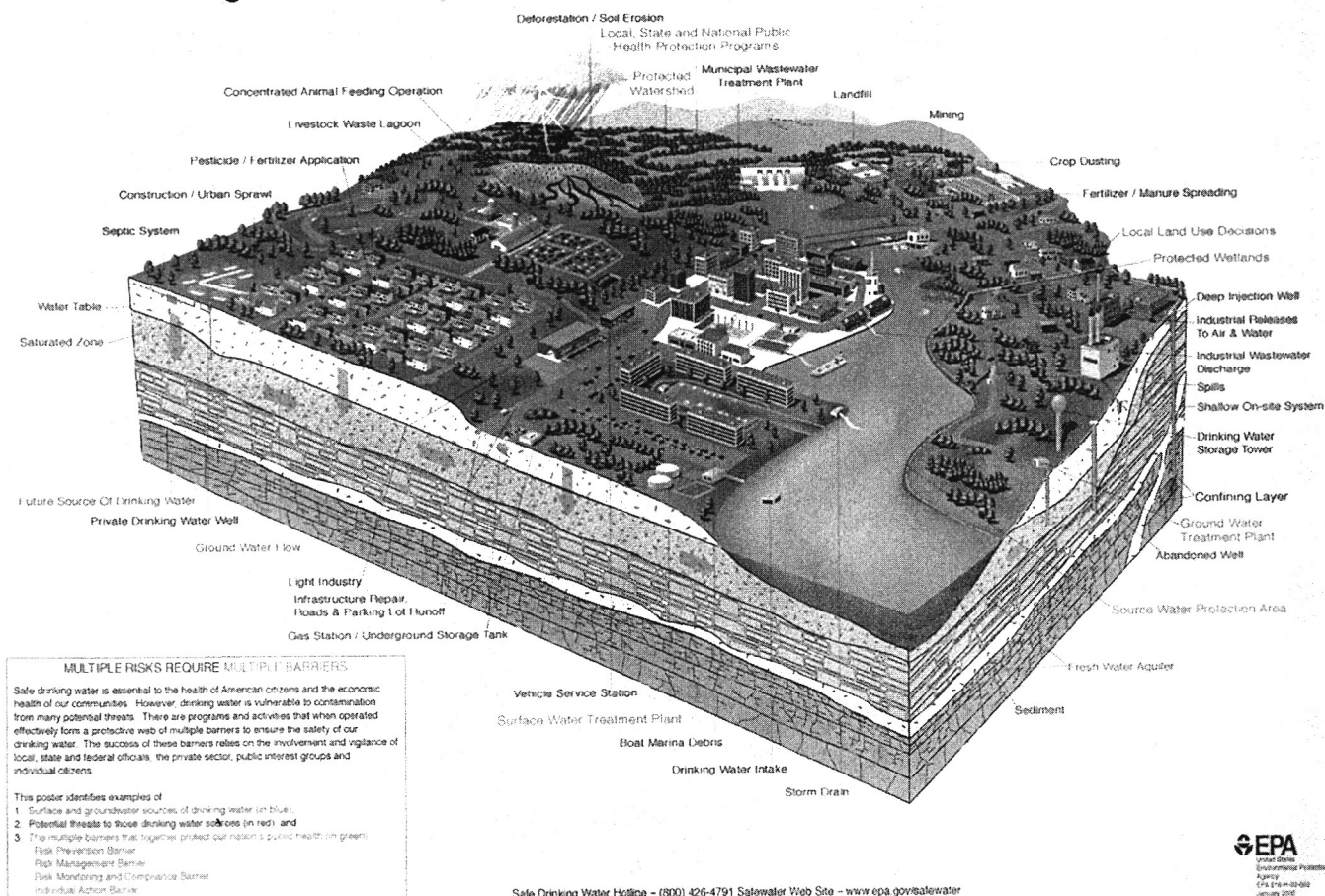




UTAH DEPARTMENT of
ENVIRONMENTAL
QUALITY

2018 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN

Safe Drinking Water Act - Protecting America's Public Health





2018 DWSRF INTENDED USE PLAN

TABLE OF CONTENTS

A - DRINKING WATER STATE REVOLVING FUND (DWSRF)

1. Plan Introduction
Table 1-Summary of DWSRF Grants
2. Loan Program
3. Set-Asides

B - INTENDED USE PLAN

1. Summary, Financial Status and Goals
Table 2-Maximum Available Set-Asides
Table 3-DWSRF Sources and Uses
2. Loan Program
Table 4-Projects Authorized & Proposed
Table 5-Project Change Explanations
Table 6-Project Priority List (PPL)
Table 7-Federal Draw Schedule
3. Set-Asides
Table 8-Set-Aside Requests w/State Match

C - ATTACHMENTS

1. Attorney General Enabling Legislation Opinion Letter
2. Organization Chart

D - UTAH ADMINISTRATIVE CODE RULE R309-705

Rule for Projects Receiving Assistance from the Federal DWSRF
Loan Program is available at www.drinkingwater.utah.gov

SECTION A: Drinking Water State Revolving Fund (DWSRF)

A-1 Plan Introduction:

The national Drinking Water State Revolving Fund (DWSRF) program established by the Safe Drinking Water Act (SDWA) Amendments of 1996, authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states, which in turn may provide low-cost loans and other types of assistance to eligible public water systems to finance the costs of infrastructure projects needed to achieve or maintain compliance with SDWA requirements. States are also authorized to set-aside a portion of their capitalization grants to fund a range of activities including administration, technical assistance, source water protection, capacity development, and operator certification.

The Utah Legislature enacted Utah Code Annotated (UCA) 19-4-101 et seq. establishing the Utah Safe Drinking Water Board (Board). UCA 19-4-104 empowers the Board with rule making authority to meet the requirements of federal law governing drinking water. UCA 19-1-105(1)(b) establishes the Division of Drinking Water (DDW) which is tasked with the responsibility to administer UCA 19-4-101 et seq. The Board has promulgated rules for making loans incorporating the requirements of the Federal Safe Drinking Water Act at Utah Administrative Code (UAC) R309-705. Additionally, the Board is authorized by UCA 19-4-104(1)(a)(v) and 19-4-104(2) to promulgate rules for certification of operators and governing capacity development in compliance with Section 1419 and 1420 of the Federal Safe Drinking Water Act.

The responsibility of the Board is to develop policies and procedures for program implementation and to authorize loans in the DWSRF program. The Utah Department of Environmental Quality (DEQ) through DDW directly administers the DWSRF program. The DDW's primary DWSRF activities include administering loans and managing and coordinating the fund.

DDW receives assistance and support from the DEQ's Office of Support Services, the State Division of Finance, the State Attorney General's Office and the State Treasurer's Office. The salaries and benefits of the employees, as well as indirect costs based on direct salary costs, are charged to the DWSRF program. Employees charging time to the DWSRF program are covered by the State of Utah personnel benefits plan. The DWSRF program is charged a loan administration fee by the Division of Finance.

The DWSRF program requires the states to deposit to the loan fund an amount equal to at least 20 percent of the capitalization grant. Loan repayments made by assistance recipients return to the loan fund and provide a continuing source of financing. The following table summarizes awards received by DDW, the allocation between loan and set-aside funds and the required state 20% match.

Table 1								
Summary of DWSRF Grants								
September 30, 2017								
Federal Fiscal Year	Award Dated	Award Allocation						State 20% Match
		Total		Loan Fund		Set-Aside Funds		
		Amount	%	Amount	%	Amount	%	
1997	February 9, 1998	\$ 12,558,800	100%	\$ 9,755,575	77.679%	\$ 2,803,225	22.321%	\$ 2,511,760
1998	September 20, 1999	\$ 7,121,300	100%	5,633,563	79.109%	1,487,737	20.891%	1,424,260
1999	May 1, 2000	\$ 7,463,800	100%	6,019,720	80.652%	1,444,080	19.348%	1,492,760
2000	August 21, 2000	\$ 7,732,000	100%	6,515,880	84.272%	1,216,120	15.728%	1,551,400
2001	September 7, 2001	\$ 7,789,100	100%	6,542,844	84.000%	1,246,256	16.000%	1,557,820
2002	July 30, 2002	\$ 8,052,500	100%	6,384,100	79.281%	1,668,400	20.719%	1,610,500
2003	August 1, 2003	\$ 8,004,100	100%	6,473,444	80.877%	1,530,656	19.123%	1,600,820
2004	July 1, 2004	\$ 8,303,100	100%	6,724,604	80.989%	1,578,496	19.011%	1,660,620
2005	June 23, 2005	\$ 8,285,500	100%	6,709,820	80.983%	1,575,680	19.017%	1,657,100
2006	June 29, 2006	\$ 8,228,900	100%	6,583,120	80.000%	1,645,780	20.000%	1,645,780
2007	June 27, 2007	\$ 8,229,400	100%	6,562,696	79.747%	1,666,704	20.253%	1,645,880
2008	July 31, 2008	\$ 8,146,000	100%	6,516,800	80.000%	1,629,200	20.000%	1,629,200
2009	May 19, 2009	\$ 19,500,000	100%	18,915,000	97.000%	585,000	3.000%	0
2009	June 28, 2009	\$ 8,146,000	100%	6,822,275	83.750%	1,323,725	16.250%	1,629,200
2010	June 16, 2010	\$ 13,573,000	100%	11,401,320	84.000%	2,171,680	16.000%	2,714,600
2011	July 1, 2011	\$ 9,418,000	100%	7,440,220	79.000%	1,977,780	21.000%	1,883,600
2012	June 12, 2012	\$ 8,975,000	100%	6,590,250	73.429%	2,384,750	26.571%	1,795,000
2013	June 26, 2013	\$ 8,421,000	100%	6,224,890	73.921%	2,196,110	26.079%	1,684,200
2014	June 9, 2014	\$ 9,229,000	100%	6,779,460	73.458%	2,449,540	26.542%	1,845,800
2015	June 8, 2015	\$ 9,169,000	100%	6,645,060	72.473%	2,523,940	27.527%	1,833,800
2016	May 19, 2016	\$ 8,674,000	100%	5,485,060	63.236%	3,188,940	36.764%	1,734,800
2017	September 28, 2017	\$ 8,600,000	100%	5,800,000	67.442%	2,800,000	32.558%	1,720,000
	Total	\$ 203,619,500	100%	\$ 162,525,701	79.818%	\$ 41,093,799	20.182%	\$ 36,828,900

Utah's DWSRF program produced the following results through SFY17:

Utah's DWSRF Fund Use Rate at the end of SFY17 was 77%. From the beginning of the program thru FY 2017 the DWSRF fund has provided drinking water assistance to communities of approximately \$223.3 million, \$288.4 million was available.

In SFY17, Utah entered into ten binding commitments for a total of \$4,140,500. As of January 31, 2017, DWSRF has thirteen projects authorized by the Drinking Water Board totaling \$41,572,398, with five more loans which have already closed during the first half of FY 2018 totaling \$10,804,950. The calculation of the use rate as of January 31, 2018 was maintained at a use rate of 77%. DDW anticipates closing about ten million in new shovel ready loans in calendar year 2018, which should slightly increase or maintain the current use rate.

The allotment between states is based on state needs surveys. DDW was allocated one and four hundredth percent for the federal fiscal years 2014 through 2017. The needs survey process is currently being evaluated for the years 2018 through 2021, but unfortunately the results have not been released.

DDW will continue to contract with Rural Water Association of Utah (RWAU) to assist small

public water systems. They anticipate assisting approximately 200-300 water systems with capacity development or technical assistance.

The State Auditor, in compliance with the provisions of the Single Audit Act, audits the DWSRF accounts. DWSRF accounts are also subject to review and audit by USEPA, the Office of the Inspector General. DWSRF Funds are included in Utah's Comprehensive Annual Financial Report (CAFR), which uses the modified accrual bases of accounting. Because funds are combined the DWSRF assets, liabilities, and net assets are not identifiable in Utah's CAFR.

The State is required to submit an annual Intended Use Plan (IUP) to EPA as long as the Fund or set-aside accounts remain in operation.

DDW under the direction of the Board administers the loan and set-aside programs.

The DWSRF program and procedures are expected to primarily continue similarly as is described in the Operating Agreement.

A-2 DWSRF Loan Program:

The loan program funds low-cost loans and other types of financial assistance to publicly owned and privately owned community water systems and non-profit non-transient water systems to finance the costs of infrastructure projects. States are responsible for developing a priority system that identifies how projects will be ranked for funding and a list of projects, in priority order, that are eligible for funding. A description of the criteria and the method used for distribution of loan funds is outlined in Utah Administrative Code R309-705.

Loans Program Eligibility Requirements

1. Repayment must begin no later than one year after completion of the project.
2. Loan repayment must be complete no later than 20 years after the completion of the project. A disadvantaged community loan may have up to 30 years as long as the period of the loan does not exceed the expected design life of the project.
3. A minimum of 15% of all dollars credited to the loan fund must provide loans to small systems, those that serve fewer than 10,000 persons.
4. Funding can be used for principal forgiveness for communities meeting the State's "Disadvantaged" criteria. The Board has defined disadvantaged communities as those communities located in an area which has a median adjusted gross income which is less than or equal to 80% of the State's median adjusted gross income, as determined by the Utah State Tax Commission from federal individual income tax returns excluding zero exemption returns or where the established annual cost of drinking water service to the average residential user exceeds 1.75% of the median adjusted gross income.
5. The 2018 DWSRF capitalization grant may require a percentage of federal funds to be used for additional subsidization in the form of principal forgiveness, negative interest loans, or grants, or any combination of these. This will be defined in the programmatic conditions of the award and will be followed as defined.
6. It is anticipated the American Iron and Steel (AIS) provision will be included in the federal

FY18 appropriation bill for the 2018 DWSRF capitalization grant. The AIS provision requires iron and steel products used during the construction of drinking water projects be produced in the United States. DDW intends to follow this requirement and request a waiver for an exception when necessary.

7. It is not anticipated the 2018 capitalization grant will require "Green Infrastructure Projects".
8. Construction bids are required to use Davis-Bacon Act wage rules.

Interest and Fees:

1. Federal rules section 1452 allows the state to assess interest and/or fees. Fees are calculated and paid in the same manner as interest. Fees have fewer restrictions than interest. The Board has authorized by Rule the establishment of a fund (or account) into which the proceeds of annual fees are placed.
2. Interest payments are deposited to the same loan fund as principal payments and have the same restrictions.
3. Hardship fees are deposited to a separate fund authorized for providing grants to water systems through a state revolving fund (SRF) loan program.
4. Technical Assistance fees are to finance technical assistance for eligible water systems or other purposes as allowed by section 1452. This fee is part of the "effective rate" calculated using Table 2, R309-705-6. UAC R309-705-3 defines a SRF Technical Assistance Fund which means a fund (or account) that will be established for the express purpose of providing "Technical Assistance" to eligible drinking water systems. These fees are deposited into the hardship fee fund and are tracked separately. The Technical Assistance Fund will also provide low interest loans for technical assistance, and any other eligible purpose as defined by Section 1452 of the SDWA Amendments of 1996, to water systems that are eligible for Federal SRF loans. Repayment of these loans may be waived in whole or in part (grant funds) by the Board whether or not the borrower is disadvantaged.
5. Origination Fee: The Utah State Legislature established an origination fee to be charged to all new loans to fund the administration of the DWSRF program in accordance with UCA 73-10c-10. The set fee of 1% continues to be the rate charged by the Board. It is reviewed annually and may change based on the needs of the program. The origination fee amount is assessed to the loan recipient as a percentage of the principal balance of the loan. It is generally paid at closing as a one-time fee, but the loan recipient may choose to pay separately or with their first pay request from the loan proceeds. All proceeds are deposited into a separate fund. Since fees will be deposited into an account outside of the Fund, they will only be used for program administration or other purposes for which capitalization grants can be awarded under section 1452. Currently, these fees will not be used for any state match requirements. In addition, this fee will not be charged to any disadvantaged community which receives a loan subsidy provided from DWSRF funding.

State fund Drinking Water Loan Program:

The Division of Drinking Water also operates a State funded Drinking Water Assistance Program. The state program provides Utah the flexibility to put together loan packages without the restrictions that accompany the DWSRF program. The DWSRF program requires a 20% state match which is generated from the state SRF loan program.

A-3 Set-Asides:

In addition to loan assistance to eligible public water systems, the DWSRF program also emphasizes the prevention of drinking water contamination by allowing states to reserve a portion of their grant to fund activities that encourage enhanced water system management and source water protection. The funded activities are referred to as set-aside funds.

The “Water Infrastructure Improvements for the Nation (WIIN) Act which passed in December 2016; revised two set-asides. The WIIN Act removed the overmatch (1:1) for the ten percent set-aside and provided three options to choose from for the four percent set-aside. DDW will comply with all programmatic and administrative conditions as required for this grant award. Set-aside activities include:

- 1) The four percent set-aside provides an allotment to administer the DWSRF and provide technical assistance to public water systems. The calculation for the four percent administrative set-aside consists of choosing the greatest one of three options: 1) \$400,000; 2) 1/5 percent of the current valuation of the fund; or 3) an amount equal to four percent of all grant awards in the fund under this section for the fiscal year.
- 2) Up to ten percent of the allotment for state program management activities, including administration of the state public water system supervision program, administration of the source water protection program, development and implementation of the capacity development and operator certification programs. In the past, this set-aside has required a dollar-for-dollar state match and as per 40 CFR 35.3535 (d) (2) a credit of up to half of the state match from the 1993 state match credit of \$855,668 would have been permitted. However, in accordance with the WIIN Act of 2016 the dollar-for-dollar match will no longer be required for any grants awarded after December 16, 2016.
- 3) Up to two percent of the allotment to provide technical assistance to small public water systems;
- 4) Up to 15 percent of the capitalization grants to assist in the development and implementation of local drinking water protection initiatives, including capacity development, wellhead protection and other state programs.

SECTION B - Intended Use Plan:

B-1 Summary, Financial Status and Goals:

An Intended Use Plan (IUP) explains how the State will use all funds available from the capitalization grant, including funds that will be allocated to the set-asides. Specifically, the IUP describes how DDW plans to use available funds. Funds are received from the federal capitalization grants, the state match, loan repayments including interest and fee payments, and investment earnings.

The State is applying for the 2018 DWSRF appropriation based on the continuing resolution

from 2017 in the amount of \$8,600,000. DDW is requesting \$6,000,000 to be added to the loan fund and \$2,600,000 to the set-aside program. The federally mandated 20% state match of \$1,720,000 will be funded from the Drinking Water State loan program and will be available to transfer into the DWSRF fund within 90 days of the award date. However, DDW anticipates amounts will be adjusted according to actual budget as Congress provides.

The Intended Use Plan (IUP) is for the 2018 DWSRF appropriations and will include:

- 1) Specifics on how the Board proposes to use the appropriations;
- 2) A description of the goals of the DWSRF program;
- 3) A list of projects eligible to receive DWSRF funding, which identifies those serving less than 10,000 people;
- 4) Cost estimates for listed projects;
- 5) An estimate of funds anticipated to be available for financial assistance;
- 6) Criteria for selecting projects to receive financial assistance;
- 7) Criteria for determining which communities qualify for hardship status;
- 8) The project scoring and ranking system;
- 9) Projects authorized for funding and those anticipated to be closed in FFY2018 and the 1st or 2nd quarter of FFY2019.

Short and Long-Term DWSRF Goals:

The DWSRF program will help ensure Utah's drinking water supplies remain safe and affordable, and drinking water systems are properly operated and maintained. The objectives of the DWSRF program include ensuring the public health, achieving compliance with SDWA, and assisting systems to provide affordable drinking water.

Short-Term Loan Program Goals

1. Seek the award of the FFY 2018 Capitalization Grant to secure federal funding for the DWSRF program and follow all the grant requirements.
2. Engage in a more aggressive marketing process to reach water systems in need of capital improvements, willing and able to meet DWSRF requirements.
3. Work diligently with borrowers to secure authorization of funding from the Board and closing loans in a timely and efficient manner to DWSRF loan applicants.
4. To maintain a permanent and solvent source of funding to assist communities with financing water systems' capital improvements thereby assisting them to maintain compliance with USEPA standards and promote public health.
5. Develop better cross/legacy training to improve employee development and to help with employee transitions.
6. Improve DDW relationships with drinking water stakeholders and others.

Long-Term Goals and the Set-Aside Goals

1. To help public water suppliers achieve and maintain compliance with Federal and State drinking water standards.
2. Continue outreach activities to ensure systems understand DWSRF assistance options and the need to develop managerial, technically and financially sound water systems.
3. Continue to educate and support water suppliers with their water protection (counter-terrorism) efforts.
4. Continue to expand and automate the Operator Certification program. Create an online "Backflow 101" screencast training course.
5. Improve on-boarding process for new hires.
6. Continue identifying noncompliant water systems using the ETT (Enforcement Target Tool) to assist them to provide safe drinking water to the public.

Transfer and Cross-Collateralization of Funds between the DWSRF and CWSRF:

Section 302 of the SDWA authorizes the transfer up to 33 percent of the amount of a fiscal year's DWSRF program capitalization grant to the CWSRF program or an equivalent amount from the CWSRF program to the DWSRF program. There has been no transfer of funds and no transfers are anticipated.

Withholding of Funds:

EPA has the ability to withhold funds under certain provisions, but the DWB/DDW has complied with the following:

1. The State has authority to ensure all new community water systems and new nontransient, noncommunity water systems commencing operation after October 1, 1999, demonstrate technical, managerial, and financial capacity with respect to each drinking water regulation in effect. Utah Code Annotated 19-4-104 empowers DDW with rule making authority to meet the requirements of Federal law governing drinking water.
2. The State has developed and is implementing a strategy to assist public water systems in acquiring and maintaining technical, managerial, and financial capacity.
3. The State has adopted and is implementing a program for certifying operators of community and nontransient, noncommunity public water systems.

EPA has approved the State's capacity development and operator certification programs.

Public Review of the IUP:

A draft IUP will be published on the Drinking Water web site, www.drinkingwater.utah.gov in March, 2018. Notice of the posting and request for public comment will be included in the Board's March 1, 2018 meeting. Minutes will be e-mailed to individuals and agencies asking for review and comments. Comments may be made in writing addressed to the Board at 195 North 1950 West, PO Box 144830, Salt Lake City, Utah 84114-4830 or in person at a regular scheduled Board meeting. Comments received will be reviewed and incorporated as deemed necessary into the set-aside work plan (due to EPA 90 days from grant award date); however no comments are anticipated to be received.

Financial status:

Initial capitalization for the Utah DWSRF program was provided from the 1997 Federal Capitalization Grant and state matching dollars. For the 20 years, 1997 through 2017, DWSRF capitalization grants totaled \$195,019,500. \$157,143,398 was the total loan program portion and \$37,900,562 was used in the set-aside programs. The State 20% match for the same period was \$35,108,900 was added to the loan program. Through February 28, 2017 the Board has authorized about 182 projects totaling approximately \$314,126,323. 144 projects totaling \$237,524,529 have been closed (committed) and 13 additional projects totaling \$41,572,398 have been authorized by the Board but have not been closed (not committed). However, two of the authorized projects totaling \$22,330,000 will likely be de-authorized soon. DDW anticipates three projects totaling \$937,000 to be authorized in the next Board meeting. Revenue, disbursements and balances are shown in the financial statements thru June 30th, 2017.

DDW is applying for \$8,600,000 using the 1.04% allocation and based on the continuing resolution as adopted by Congress in 2017. When funding is finalized, amounts may be changed to reflect the authorized amounts. It is anticipated \$6,000,000 will be provided to the loan fund and \$2,600,000 to set-asides. The state 20% match of \$1,720,000 will be transferred to the loan fund within 90 days of the award date. In fiscal year 2018, the Utah State Legislature appropriated about \$816,000 from the State SRF. The appropriation is ongoing and will be expensed with the 10% set-aside to fund our engineering section. The WIIN Act passed in December 2016 – removed the 1:1 state match required for the 10% set-aside for the 2018 capitalization grant and for future grant awards. The WIIN Act of December 2016 also revised how the 4% administrative set-aside will be calculated annually. Table 2 identifies the maximum set-asides which could be requested if every possible set-aside percentage and all reserves were applied for in the 2018 capitalization grant.

TABLE 2 MAXIMUM AVAILABLE SET-ASIDE AWARDS W/STATE MATCH IF ALL RESERVES WERE USED THIS YEAR				
ACTIVITY	PROG. ELEM.	RESERVE BALANCE	2018 Maximum w/20% state match	
Loan Fund	18DA		4,200,760	1,720,000
4% Administrative Set-Aside			400,000	4%
4% reserve amt		848,760	848,760	
Maximum 4% w/ max reserves	18DD		1,248,760	
2% Small Sys.Tech. Asst. max =	18DE		172,000	2%
2% reserve amt		173,480	345,480	
10% State Program Set-Aside max =	860,000			
10% reserve amt		655,000	655,000	16.21%
PWS Supervision			860,000	10.0%
Capacity Development Oversight			0	0.0%
Source Water Protection			0	0.0%
Operator Certification			0	0.0%
TOTAL State Program Set-Aside	18DF		1,515,000	10%
15% Local Assistance Set-Aside max=		no reserve		
Local Assistance			0	0%
Capacity Development Outreach			860,000	10.0%
Source Water Assessment			0	0%
Wellhead Protection			430,000	5.0%
TOTAL Local Assistance Set-Aside	18DG		1,290,000	15.0%
No more than 10% in one category				
TOTALS	15.0%	1,677,240	7,577,760	1,720,000
TOTAL CAPITALIZATION GRANT =	8,600,000			

SOURCES AND USES TABLE 3

SOURCES:	Cumulative Total through 6/30/17		7/1/17- 6/30/18		Cumulative Total through 6/30/18
Federal Capitalization Grants	\$195,019,500	a	\$17,200,000		\$212,219,500
State Match					
20% Capitalization Grant Match	35,108,900	b	3,440,000	d	38,548,900
10% Set-Aside 1:1 Match	18,041,630		0	e	18,041,630
Principal Repayments on Assistance Provided	77,879,652		6,303,303	f	84,182,955
Interest Repayments on Assistance Provided	13,309,723		1,494,543		14,804,266
Investment Earnings	4,974,630		999,222		5,973,852
Fees Deposited into the DWSRF	0	c	0		0
Funds Transferred from (to) CWSRF	0		0		0
SOURCES TOTAL	\$344,334,035		\$29,437,068		\$373,771,103
USES:					
Loan/Grant Agreements Entered:					
Large Systems (>10,000 population)	\$56,463,595		\$ 0		\$56,463,595
Small Systems (>10,000 population)	162,750,918		10,804,950		177,696,368
Additional Subsidy	36,240,650		4,698,348		40,938,998
Projects w/loans pending (shovel ready proj)	0		7,152,398		7,152,398
Auth projects with loans pending	24,880,000		9,540,000		34,420,000
Projects submitted not yet authorized	0		937,000		937,000
Projects not yet submitted (2 nd round)	0		35,785,513		35,785,513
SET-ASIDES:					
4% Administration	6,752,914		1,100,000		7,852,914
2% Small System Technical Assistance	3,900,787		172,000		4,072,787
10% State Program Management- 1:1 mat	18,041,130		0		18,041,630
PWSS Program Augmentation	15,155,164		1,695,000		16,850,164
Source Water Administration	1,362,825		100,000		1,462,825
Operator Certification	932,395		150,000		1,082,395
Capacity Development Program Oversight	345,778		25,000		370,778
PD Database	620,000		0		620,000
State Program Management Subtotal	36,457,292		1,970,000		38,427,292
15% Local Assistance/Other State Programs					
Local Assistance & Capacity Development Outreach	6,991,006		1,720,000		8,711,006
Capacity Development Project in 1998	997,537		0		997,537
Source Water Assessments	352,978		0		352,978
Wellhead and GIS tracking	463,715		438,000		901,715
	0		0		0
LA/Other State Program Subtotal	8,805,236		2,158,000		10,963,236
USES TOTAL	\$304,151,242		\$69,619,861		\$373,771,103

- a. Total federal appropriation thru FFY 2016 Capitalization Grant. DDW uses a FIFO methodology for Unliquidated Obligations which can be found in Table 7 "2018 and 2019 Cash Flows and Cash Draw Proportionality" Page 16. (Grant award for 2017 was not awarded until Sept 2017.)
- b. 20% State Match came from Water Development State Revolving Fund thru FY 2016.
- c. DDW does not leverage any of their SRF funds.
- d. 20% State match for 2017 & 2018 Capitalization Grants will be deposited to fund within 90 days of award date.
- e. Any award entered after December 16, 2016, no longer requires the 1:1 State Match in accordance with the 2017 WIIN Act.
- f. 2018 repayments, interest and investment earnings are estimated.

B-2 LOAN PROGRAM:

UAC R309-705 establishes criteria for financial assistance to public drinking water systems in accordance with the Federal SDWA. A copy of UAC R309-705 can be found at <http://www.rules.utah.gov/publicat/code/r309/r309-705.htm>. The 2017 DWSRF capitalization grant along with carry forward funds from previous grant awards, repayments, interest and fee payments, and investment earnings provides the funds the Division has available to help public water systems finance needed drinking water projects.

Description of Criteria and Method Used for Distribution of Loan Funds:

The complete description of the criteria and method used for distribution of funds is outlined in Utah Administrative Code (UAC) R309-705-6. As described in R309-705-6, the priority system assigns points to systems showing a deficiency in source, storage, treatment, and/or the distribution system. Points are assigned based on the relative risk of each deficiency, and are divided as applicable between health risk and compliance with SDWA. The applicant's priority points are modified by a financial factor, known as the Rate Factor, and the AGI Factor. Their calculation is shown below:

Priority rating = (Average number of points received) X (Rate Factor) X (AGI Factor)
Where: Rate Factor = (Average System Water Bill / Average State Water Bill)
AGI Factor = (State Median AGI / System Median AGI)

The priority points for demonstrated deficiencies are multiplied by the Rate Factor and AGI Factor to arrive at a final priority rating. This method addresses financial hardships present in less affluent communities and in those already experiencing higher water rates.

Upon arriving at a final priority rating for each applicant, each application is rated and added to the priority list. The Board may, at its option, modify a project's priority rating based on the conditions described in R309-705. The Board sets the effective interest, hardship fee and/or technical assistance fee rate and decides the amounts allowed for principal forgiveness or grants. The most current Revenue Bond Buyer Index (RBBI) is used as the base rate. Table 2 in UAC R309-705-6 is used to determine the reduction of the interest rate (or other rate) which potentially may be reduced to zero percent.

Project Priority List (PPL):

DDW operates with a continuous project priority list. When applications are received throughout the year, they are reviewed to ensure compliance with federal and state drinking water regulations and scored based on the rating factors indicated in the previous paragraph. Currently, all applications meeting requirements are prepared to be taken to the Board for authorization. (The Board is required by Utah law to meet at least quarterly.) Since the applications are submitted throughout the year and may be scored and closed quickly, on occasion a water system project may not have been included in any intended use plan. However, the continually updated PPL is posted on the division website and additions or changes are approved by the Board.

The PPL will be used for the 2018 DWSRF capitalization grant and any other funds used for loan projects. Projects authorized by the Board but which have not been closed are entered in the section titled “Authorized Funding”. Staff is working with these systems to meet EPA requirements to close the loans. A list of authorized and proposed projects requiring funding is listed next in Table 4.

TABLE 4					
AUTHORIZED FUNDING as of 2/28/2018					
Community	Loan #		Loan Amt	Forgiveness	Total
Juab County	3F259		21,210,000	0	21,210,000
Virgin Town	3F272		1,120,000	0	1,120,000
San Juan Spanish Valley SSD	3F275		1,785,000	765,000	2,550,000
Hanksville	3F279		328,000	763,273	601,548
Cove SSD	3F285		600,00	485,000	1,085,000
Torrey Town	3F287		1,700,000		1,700,000
Cedarview Montwell SSD	3F282		2,309,000		2,309,000
Community Water Company	3F291		3,662,000		3,662,000
Big Plains SW SSD – Cedar Point	3F290		362,000	155,125	517,125
Moab	3F292			90,000	90,000
North Valley Ranches Sub	3F294		360,000	90,000	450,000
Twin Creeks SSD	3F295		4,738,000	600,000	5,338,000
Winchester Hills Water Company	3F277A		225,000	225,000	450,000
PROPOSED PROJECTS					
Community	Loan #		Loan Amt	Forgiveness	Total
Swiss Alpine Water	3F300		807,000	0	807,000
Johnson Water Company	3F299P			90,000	90,000
Antimony	3F301P		40,000		40,000
			\$39,246,000	\$3,263,398	\$42,509,398

Green Infrastructure:

The 2018 capitalization grant does **not** require projects to meet a minimum percentage to be used for water efficiency, energy efficiency, green infrastructure, or other environmentally innovative activities. However, DDW is always pursuing green projects including technological innovations to enhance green development.

Delayed Authorized Projects:

Table 5 identifies and explains water system projects which were scored and included in previously submitted project priority lists or were previously included in the 2017 Intended Use Plan. Some of these projects have merely been substantially delayed while others have withdrawn their request or their funding has changed and the project will not be funded with federal DWSRF funds for a variety of reasons.

TABLE 5			
Community	Loan #	Amt of Loan	Reason not funded
Community Water Company	3F291	3,662,000	Being revised and regionalized w/Mtn Regional Wtr SSD
Cove SSD	3F285	1,085,000	Lengthy design process
Hanksville Town	3F279	1,019,273	Revised project cope and cost increased
Juab County	3F259	21,210,000	Stalled, de-authorization likely
Monticello	3F281P	39,000	Moved to federal hardship grant fund
San Juan Spanish Valley SSD	3F275	2,550,000	Funding delay with CIB
Thatcher Penrose SD	3F269	110,000	Withdrew application
Torrey Town	3F287	1,700,000	Lengthy design process
Virgin Town	3F272	1,120,000	Sticker shock, de-authorization likely
Woodland Mutual	3F293	3,200,000	Tabled prior to authorization

Current status and shovel ready loans:

DDW staff routinely promotes the program and encourages water systems to apply for financial assistance at conferences, in presentations and training sessions, and through letters written to both water system administrative contacts and consulting engineers. Although DDW is aware of the need for drinking water system infrastructure improvement projects at systems throughout the state, to date these efforts have produced limited results. DDW will continue to explore ways to better market the DWSRF loan program with drinking water systems. Many water systems in Utah qualify and require substantial principal forgiveness (which is currently very limited in the Utah DWSRF Program). Therefore, if Congress were to increase principal forgiveness limits, it would likely encourage decision-makers to improve their system infrastructure and maintain compliance with regulations.

Table 7 identifies shovel ready projects from the authorized table projecting a federal draw forecast to provide federal cash flow in SFY 2018. All projects listed are either in progress or are shovel ready and should be closed in the summer of 2018 or early 2019 calendar year.

Utah Federal SRF Program – Table 6

[illegible]

TABLE 7 – 2018 and 2019 FEDERAL CASH FLOWS AND DRAW FORECAST

SUBRECIENT	LOAN NO	BINDING CLOSED DATE	STRT DATE	TOTAL ULO's and new loan amounts	FFY 2016 Ending 9/30/18				SFY 2017 Ending 6/30/19		
					QTR 1 (O-D 17)	QTR 2 (J-M 18)	QTR 3 (A-J 18)	QTR 4 (J-S 18)	QTR 1 (O-D 18)	QTR 2 (J-M 19)	QTR 3 (A-J 19)
2016 closed loans fed funds not fully disbursed as of 6/30/2017											
Lyndyl	3F284P	Feb-17	Planning	\$ 39,000	\$ 39,000						
Lizard Bench	3F278	Feb-17	Nov-17	28,000	28,000						
2017 Closed loans											
Glen Canyon of Big Water SSD	3F270	Jun-17	Jun-17	528,000	528,000						
IronTown POA	3F271	Aug-17	Aug-17	474,000	474,000						
West Erda Improvement District	3F233	Aug-17	Aug-17	1,460,000	1,460,000						
Rocky Ridge Town	3F286	Oct-17	Oct-17	606,000	606,000						
Springdale (split 2016/2017)	3F264	Oct-17	Oct-17	5,016,410	2,099,060						
Cedarview Montwell SSD (cisd)	3F188	Oct-17	Oct-17	(45,000)		(45,000)	800,000	1,000,000	1,157,350		
2017-2018 loans based on projected closing dates											
Cedarview Montwell SSD	3F282	Mar-18	Mar-18	1,703,525		1,703,525					
Winchester Hills Wtr Co	3F277A	Mar-18	Mar-18	450,000		450,000					
Big Plains SW SSD	3F290	Apr-18	Apr-18	517,125			517,125	300,000	291,273		
Hanksville Town	3F279	Jun-18	Jun-18	1,091,273			500,000	600,000	300,000		
Torrey Town	3F287	Sep-17	Sep-17	1,700,000			800,000	300,000	185,000		
Cove SSD	3F285	Jun-18	Jun-18	1,085,000			400,000		550,000	600,000	500,000
San Juan Spanish Vly SSD	3F275	Apr-18	Apr-18	2,550,000							
Est 2018 & 2019 projects											
North Valley Ranches Sub	3F294	Mar-19	Mar-19	450,000						450,000	
Twin Creeks SSD	3F295	May-19	May-19	5,038,000							523,727
Swiss Alpine Water	3F300	???	???	807,000							
TOTALS				\$ 23,538,333	\$ 5,234,060	\$ 2,108,525	\$ 3,017,125	\$ 2,200,000	\$ 2,483,623	\$ 1,050,000	\$ 1,223,727
2016 SRF AWARD #FS 99878416 Bal 100% fed											
State Match was fully trnsfrd to loans in Oct 2016				Fed	\$ 2,077,060	\$ 2,077,060					
2017 SRF AWARD #FS 99878417											
State Match was fully trnsfrd to loans in Aug 2017				Fed	\$ 5,800,000	\$ 1,437,000	\$ 1,405,650	\$ 2,000,000	\$ 957,350		
				State	\$ 1,720,000	\$ 1,720,000					
2018 SRF AWARD #FS 99878418											
State Match will be fully trnsfrd prior to any fed \$ being disbursed				Fed	\$ 6,000,000				\$ 1,242,650	\$ 2,483,623	\$ 1,050,000
				State	\$ 1,720,000		\$ 702,875	\$ 1,017,125			\$ 1,223,727
TOTAL ALL GRANT YEARS					\$ 17,317,060	\$ 5,234,060	\$ 2,108,525	\$ 3,017,125	\$ 2,200,000	\$ 2,483,623	\$ 1,050,000
											\$ 1,223,727

Additional information:

1. The 20% state match is transferred 100% into the DWSRF fund when the DWSRF grant is awarded (within 90 days).
2. All federal funds are disbursed using a FIFO method (first in first out).

Assistance for Disadvantaged Communities:

Section 1452 (d) changed in the 2009 session to require states to provide a minimum of 20 percent additional loan subsidies in the form of negative interest, grants or principal forgiveness to benefit communities meeting the State's definition of "disadvantaged". The 2012 session maintained the minimum requirement to 20 percent, but reinstated the previous maximum amount of no more than 30 percent of the federal award to be provided for loan subsidization. 2012 – 2015 had a minimum of 20 percent and a maximum of 30 percent. 2016 required an exact 20% subsidization, but a loop hole was discovered which allowed states to increase subsidization up to 50%. Grant year 2017 required an exact 20% subsidization once again and the loop hole was closed. DDW will comply with the programmatic conditions of the grant award to match the 2018 subsidization requirement.

The Board defines disadvantaged communities as those communities located in an area which has a median adjusted gross income which is less than or equal to 80% of the State's median adjusted gross income, as determined by the Utah State Tax Commission (USTC) from federal individual income tax returns excluding zero exemption returns, or where the estimated annual cost, including loan repayment costs of drinking water service for the average residential user exceeds 1.75% of the median adjusted gross income. If, in the judgment of the Board, the USTC data is insufficient, the Board may accept other measurements of the water users income (i.e. local income survey or questionnaire when there is significant difference between the number of service connections for a system and the number of tax filing for a given zip code or city, or when the water system claims that the MAGI (incomes) of its users is lower than the MAGI (incomes) of the larger community covered by the USTC data).

The amount and type of financial assistance offered by the Board will be based upon the criteria shown in UAC R309-705-6 (2). Disadvantaged communities may receive zero-percent loans, negative interest rate loans, principal-forgiveness loans or grants. Terms for each method of financial assistance shall be determined by a Board resolution.

The Board has not set any pre-determined amount of DWSRF funds that may be used for principal forgiveness to disadvantaged communities. It is the Board's intention to authorize additional subsidization only to communities that meet the "disadvantage criteria".

Costs Incurred After Application and Prior to Execution of the Loan Agreement:

Eligible project costs incurred after application to the Board and prior to execution of the loan agreement are eligible for reimbursement. Reimbursement will only be made after the loan closing.

Municipal Bond Legal Fees:

The Board may purchase bonds of the applicant only if the bonds are accompanied by a legal opinion of a recognized municipal bond counsel selected by the Board UAC (R309-705-8 (2)). The loan recipient is responsible for the legal costs. Legal costs may be paid from the loan proceeds.

Capacity Development Requirements:

Eligible Systems: The SDWA allows DWSRF assistance to publicly and privately owned community water systems and nonprofit, non-community water systems other than systems owned by Federal agencies. Federal Regulations also set forth certain circumstances under which systems that will become community water systems upon completion of a project may be eligible for assistance. **UAC R309-705 Financial Assistance:** Federal Drinking Water Project Revolving Loan Program (Effective July 1, 2011) establishes criteria for financial assistance to public drinking water systems in accordance with a federal grant 42 U.S.C. 300j et seq., Federal Safe Drinking Water Act. The SDWA requires that loan recipients must demonstrate the technical, managerial, and financial capacity (TMF) to comply with the SDWA and not be in significant noncompliance with any requirement of a national primary drinking water standard or variance. The State will assess TMF and compliance in accordance with UAC R309-800 Capacity Development Program after loan applications have been received. Those systems lacking in TMF or compliance may still be eligible for a loan if the loan will address the non-compliance or the system agrees to undertake feasible and appropriate changes in operations.

Environmental Reviews and Categorical Exclusions:

The State Environmental Review Process (SERP) is described in the Operating Agreement. The Grantee, the State of Utah, may elect to partition an environmental review or Categorical Exclusion (Cat Ex) from environmental review. The procedures listed below will be followed by the State in order to evaluate if partitioning a project from environmental review is appropriate.

A. Authority:

The authority for including these procedures in the Division's Intended Use Plan (IUP) and State Environmental Review Process (SERP) is contained in the SDWA Amendments of 1996 (Pub. L. 104-182) and the guidance provided by the EPA DWSRF Program Guidelines, document # 816-R-97-005 (February 1997). In particular, see Section IV. STATE/PROJECT LEVEL AUTHORITIES, Subsection B. Environmental Reviews.

B. Procedures for Making Determination Cat Ex:

1. If the Division has reason to believe that the project falls within one of the categories listed under paragraph "C" and thereby may qualify for a Cat Ex from environmental review, the State will make a preliminary survey of the proposed project site(s).
2. During this survey the State will evaluate whether or not the project meets the criteria for a Cat Ex from environmental review.
3. If the State determines the site qualifies for Cat Ex from environmental review, it will document the justification of this determination, including a listing of the dates of activities, which led to this determination, and a statement of relevant findings.
4. Even if the project qualifies for Cat Ex from environmental review according to the criteria listed under paragraph "C", the State may require an environmental review if the State determines that an environmental review is warranted or appropriate because of conditions found at the site or because the project is controversial.

C. Criteria for Categorical Exclusion From Environmental Review:

In order for a project to qualify for an environmental determination of Cat Ex from environmental review, the general location of the project should have been previously disturbed. Site conditions which will be evaluated in making this determination include a) how urbanized the location is, b) whether wildlife has previously been displaced, and c) whether the wildlife habitat has been previously destroyed or replaced. The project site shall meet at least one of the following criteria:

1. A proposed water line will be placed in a roadway(s) and/or rights-of-ways where existing pipes, telephone wires, cables, or other facilities have previously been installed.
2. A proposed tank site will be located on a site with other previously constructed utility facilities on a previously disturbed site.
3. The proposed facilities will be located at a site with other existing community infrastructure; e.g. a booster station, pump house, water treatment plant, or similar facility within a previously disturbed area and which will not extend into sensitive areas in the ground or adjacent to the previously disturbed area.

D. Public Notice and Participation:

The State will provide public notice when a Cat Ex is issued or rescinded. However, no formal public comment period need be provided prior to the Cat Ex becoming effective.

B-3 SET-ASIDES:

Set-aside changes were implemented with the "Water Infrastructure Improvements for the Nation (WIIN) Act passing in December 2016. The Act removes the overmatch (1:1) for the ten percent set-aside and changes the calculation methodology for the four percent set-aside. Although how to implement these changes are currently unsure, DDW will comply with all programmatic and administrative conditions as required for the 2017 grant award.

Set-aside funding is used to:

Fund established programs

Fund continuing growth

Fund increasing operating costs

And to the extent set-aside funds are available, assist in funding the additional staff needed to implement new Federal rules regarding regulation of drinking water contaminants

The state will not use set-aside funds for those projects or project-related costs that are eligible or explicitly ineligible for assistance from the DWSRF except DDW may use set-aside funds for: 1) project planning on design costs for small systems, and 2) for costs associated with restructuring a system as part of a capacity development strategy.

Set-aside funds have been used on first in first out (FIFO) basis and will continue to be so. Usage is accounted for by set-aside. Unused funds are carried forward to the next fiscal year. Final reports have been submitted to USEPA for DWSRF capitalization grants through 2014.

2015 is fully spent with the final report being prepared. DDW is currently spending 2016 and 2017 grant years. The loan funds are also treated on the FIFO basis.

The intended use of set-aside funds:

Maintain the staff (FTEs) hired with set-aside funds including benefits, costs allocated as a percent of personal services, and other related costs.

Continue our contract with the Rural Water Association of Utah (RWAU) to implement portions of the expanded operator certification, wellhead protection and capacity development programs. RWAU has also been assisting the DWSRF program with capacity development outreach activities.

Table 8 Set-Aside and State Match Requests					
ACTIVITY		AVAILABLE	2017 DWSRF		Total Request
Loan Fund	18DA	\$ 6,000,000	\$ 6,000,000	100%	\$ 6,000,000
4% Administrative Set-Aside	18DD	400,000	400,000	5%	
Plus reserves from prior grants		848,760	100,000	1%	500,000
2% Small Sys.Tech. Asst.	18DE	172,000	172,000	2%	172,000
10% State Program		860,000			
PWS Supervision			725,000	8.43%	725,000
Plus reserves from prior grants		855,000	100,000	1.16%	100,000
Capacity Development			15,000	0.17%	15,000
Source Water Protection			70,000	0.81%	70,000
Operator Certification			50,000	0.58%	50,000
TOTAL State Program Set-Aside	18DF		960,000	11.2%	960,000
15% Local Assistance (Up to 15%)		1,290,000			
Local Assistance & Capacity Development Outreach & Water Use Study			860,000	10.00%	860,000
Source Water Assessment				0.00%	-
Wellhead Protection			108,000	1.26%	108,000
TOTAL Local Assistance Set-Aside	18DG		968,000	11.26%	968,000
TOTALS			\$ 2,600,000	30.23%	\$ 2,600,000
TOTAL CAPITALIZATION GRANT =		\$ 8,600,000	\$ 8,600,000		
State 20% Match		1,720,000	1,720,000		1,720,000

Set-aside requests and intended use:

Administration set-aside:

The calculation for the four percent administrative set-aside in accordance with the 2016 WIIN law, consists of an amount equal to the sum of any state fees collected (i.e. Loan Origination Fees) plus the greatest one of three options: 1. \$400,000, 2. 1/5% of the current fund value ($\$172,047,912 \times .002 = \$344,095$) or 3. Four percent of all grants awarded to the fund under this section for the fiscal year ($\$8,600,000 \times 4\% = \$344,000$).

Of the three options, DDW chooses option one of \$400,000 for the four percent administration set-aside. The administrative set-aside also has reserve available of \$848,760 accumulated from previous grant years (1997-2017) reserved for future use. DDW requests \$100,000 to be added to \$400,000 to equal \$500,000 for the administrative set-aside. The total reserve account will have a balance of \$748,760 in the account for future use (beginning account balance of \$848,760 less \$100,000).

The administration set-aside will fund five to six full-time equivalents (FTEs) positions to operate the program in SFY 2019. The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation for SFY 2019, currently budgeted at \$580,000. DDW is currently contracting with the Utah Department of Technology Services to create a web based database to interrelate with WebLink (the web-based SDWIS app). The price quoted to transfer accumulated DWSRF loan data (currently in CASPER) to the new application exceeded \$200,000; therefore DDW decided the migration cost exceeded available funds in the division budget. The administration set-aside does not require a state dollar for dollar match.

State Programs set-aside:

The state programs set-aside total amount request is \$860,000. DDW is requesting the maximum amount ($10\% \times \$8,600,000$) divided into the sub-categories as listed in Table 8 (above). The sub-categories include PWS Supervision, Capacity Development, Operator Certification, and Source Protection. Budgeting, disbursements, and draws are also accounted for by sub-categories. DDW is requesting \$100,000 from the 10% reserve account accumulated from previous grant years. The total reserve account will have a balance of \$555,000 left in the account for future use (\$655,000 less \$100,000).

In the past, the State Program set-aside required a dollar for dollar state match. The WIIN Act of 2016 removed the dollar for dollar match requirement for the 10% set-aside on any grant awarded after December 16, 2016. DDW has funds to cover the dollar for dollar match for grant years awarded prior to the WIIN Act of 2016. A State Appropriation from the State Water Development Security Fund of approximately \$800,000 will continue annually to be spent in conjunction with the State Program set-aside. A small balance may be covered using the PWSS credit allowed by section 1452 (g) (2) for fiscal year 1993 PWSS expenses. DDW has adequate state funds to meet the 1:1 state match for prior grant years.

PWS Supervision (augmentation) set-aside:

DDW is requesting \$825,000 from the 2018 award (including \$100,000 from the reserve); we estimate a carry-forward to SFY 2019 of \$193,700. Total anticipated funds should be approximately \$1,018,700.

The PWS Supervision set-aside is primarily used to support DDW's Engineering Section. Approximately nine engineers charge to this set-aside and four additional employees charge time for program support and oversight of DDW activities. Federal expenditures for SFY 2019 are estimated at \$921,100, an additional amount of approximately \$800,000 appropriated from the state legislature will also be expended for this activity. The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation for SFY 2019, currently budgeted at \$1,740,600.

Engineering tasks include water system plans and specification reviews, operating permits, waivers, water treatment plant inspections, witnessing well grouting, and proactive recommendations to help water systems ensure the public receive safe drinking water. DDW's engineers also receive training to keep their skills diverse with new technologies in solving water system issues. Growth impacts in the state combined with the stricter EPA standard levels SDWA amendments and associated State and Federal regulations create a tremendous workload.

Capacity Development Program:

DDW is requesting \$15,000 from the 2018 grant for oversight of the capacity development program. The estimated carry-forward to SFY 2019 is \$0. The amount budgeted for SFY 2019 is \$14,500. If expenses exceed the grant funds available in SFY 2018, a request to move funds from the PWS Supervision sub-category will be requested. This set-aside requires a dollar for dollar match.

The State of Utah has statutory authority for a capacity development program (Section 19-4-104 of the Utah SDWA). Time of one FTE, as needed, will oversee and maintain the program. The Division is current with all reports due to the Governor and USEPA.

Operator Certification Program:

The State has an Operator Certification program that has been mandatory since 1985. Prior to 1997 the program required community water systems serving more than 800 population and any public water systems treating surface water to have a certified operator. The statutory authority to reduce the threshold population from 800 to 25 was enacted by the 1997 Legislature. The Safe Drinking Water Act requires all community and non-transient, non-community water systems and all public water systems that treat surface water to have a certified operator.

USEPA published final Guidance (EPA-816-R-98-006) in July 1998 establishing national policy regarding the implementation of the operator certification related provisions of the SDWA including how EPA would assess State operator certification program for purposes of making withholding decisions.

Funding for the Operator Certification program comes from two sources:

- 1) DWSRF Operator Certification set-aside
- 2) Fees

DDW is requesting \$50,000 from the 2018 grant for the operator certification program set-aside subcategory. An estimated carry forward balance to FY 2019 of approximately \$32,000 will combine funds to total \$82,000 for the operator certification set-aside. Expenses are budgeted at \$92,000 for FY 2019.

The operator certification program requires an operator to pay a fee to become certified. DDW submitted a request to increase the operator certification fee this year which is currently being reviewed by the State Legislature. It is anticipated the fee increase will go through and will be implemented in January 1, 2019. The amount of the increased fee should offset the budget deficit forecasted in FY 2019 for the operation certification set-aside and hopefully reduce the amount being requested for this set-aside in the future.

The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation for SFY 2019. Expenses connected to the Operator Certification fees are budgeted at \$110,000. When added to the set-aside budget of \$92,000, total projected expenses equal \$202,000.

The time of two FTE's are dedicated to coordinating and administering this program. The division contracts with the Rural Water Association annually to assist with operator certification training.

Source Protection Administration:

The SDWA Amendments of 1996 require each state to maintain a source water quality assessment program for all public water systems. The time of less than one FTE is dedicated to developing, implementing, and coordinating this program.

We are requesting \$70,000 from the 2018 grant for the source water program. An estimated zero funds will be able to be carry forward to FY 2019. Estimate expenditures for FY 2019 were budgeted at \$63,400. The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation for SFY 2019.

Small Systems Technical Assistance:

DDW is requesting \$172,000 ($\$8,600,000 \times 2\%$) for the 2% set-aside. A carry forward balance of approximately \$50,000 will be available for 2019 with estimated expenses of \$197,000. This set-aside is only used to fund our contract with the Rural Water Association of Utah (RWAU) which is primarily assisting public water systems serving 10,000 people or fewer (section 1452(g) (2)) to maintain viable water systems.

DDW created an energy cost saving handbook in 2016 which provides water system operators and managers with multiple strategies to reduce their energy costs. Some water

systems have identified energy efficiency improvement opportunities in both operations and infrastructure. RWAU is encouraging all drinking water systems to investigate energy efficiency options to identify cost savings where possible. The small and very small water systems are often unable to take full advantage of such initiatives due to lack of knowledge, lack of money, and/or lack of proper equipment.

RWAU is a critical partner assisting DDW in responding to water system inquiries and taking action to assist water systems to be technically, managerially, and financially sound.

Such assistance includes, but not limited to:

- a. Water rates & fees analysis
- b. Applying for and obtaining funding for projects
- c. Locating and securing consulting engineering services
- d. Developing ordinances, resolutions and by-laws
- e. System security
- f. Preparing management, conservation, financial, capital improvement, sampling, and cross connection control plans
- g. Train system boards and or councils in subjects related to capacity development
- h. Perform Financial/Management audits with water systems as requested by the system or DDW
- i. Encouraging and assisting public water systems listed on the ETT (enforcement targeting tool) with application for financial assistance where such assistance would help the water system return to compliance with drinking water rules
- j. Assisting water systems which have borrowed funds from the Drinking Water Board during the construction and start-up phases of the project

The Small Systems Technical Assistance set-aside does not require a state dollar for dollar match.

Local Assistance, Capacity Development, Source Water Assessment, Wellhead Protection and Other State Programs (15% set-aside):

We are requesting \$968,000 which is approximately 11.26% of the grant total. A carry forward balance of approximately \$270,000 is anticipated for FY 2019, making a total estimated balance available of \$1,238,000 for this set-aside. The FY 2019 budget was estimated at \$1,070,900. It is divided into two sub-categories, local assistance/capacity development outreach and wellhead protection. Budgeting, disbursements, and draws are each accounted for by the two sub-categories separately.

Capacity Development Out-reach/Local Assistance with Public Water Systems Sub-Category:

We are requesting \$860,000 from the 2018 grant for capacity development, out-reach, local assistance. (10% of 8,600,000 the maximum allowed in one subcategory.) The estimated carry-forward to FY 2019 will be about \$150,000, for a combined amount available of \$1,010,000. The amount budgeted for FY 2019 is \$879,900.

Some of the activities DDW employees will provide and charge to this set-aside include the following:

1. Math calculations to determine dosing, volumes, flows and horsepower, etc.
2. Minor repairs on pumps, as well as, knowledge of pump curves, monitor well levels, troubleshooting, hydraulics, motor maintenance and metering, etc.
3. Teach proper techniques for unidirectional flushing of fire hydrants, pipeline maintenance, pressure zones, valve maintenance (exercising and annual maintenance, instrumentation, tank inspections, distribution system and treatment plants.
4. Proper disinfection techniques, and correct handling and use of various disinfection chemicals, properties of chemicals, emergency disinfection techniques, and monitoring of residuals.
5. Safety- proper use of equipment and how to follow proper procedures, MSDS.
6. Security- proper procedures to interact with law enforcement and mitigation.
7. Provide technical training on existing and new rules, proper sampling techniques, proper monitoring, and an understanding of sample results, reporting procedures.
8. Emergency Response- training on the Incident Command System (ICS) and how they would fit into that system. Train systems with the National Incident Management System (NIMS), response protocols, mitigation, setting-up table top exercises, maintaining a plan, flushing and disinfection.
9. Cross Connection Control assistance to help the water system properly assemble, avoid hazards, resolve physical deficiencies during a sanitary survey and follow State guidelines on managing a program.

DDW understands all charges by employees need to have direct interaction with the water systems with some form of training or technical assistance. Rural Water Association of Utah also has some tasks relating to direct interaction with the water systems and has been allocated \$60,000 in their contract for this specific purpose.

Wellhead Protection Sub-Category:

DDW is requesting \$108,000 in funding for this category from the 2018 grant. DDW estimates carry forward funds of \$120,000 will be available in fiscal year 2019. Total available funds in FY 2019 should be about \$228,000. The budgeted expenses of \$191,000 for SFY 2019 will cover expenses for salary, benefits, office space, equipment, and an indirect allocation, and a study being coordinated by the Division of Water Quality. One employee will oversee the implementation and maintenance of GIS activities and will prepare ground water source protection plan updates for the water systems as review is required. This sub-category budget will continue to cover expenses to address a backlog of wellheads that need to be entered and/or updated. Maintenance of the source protection zone geodatabase is an on-going project as new water sources are developed and existing source protection zones are modified. An ongoing nitrate study is also being funded being conducted by the Division of Water Quality.

The Local Assistance and Other State Programs set-aside does not require a state dollar for dollar match.

C - ATTACHMENTS

Attorney General Enabling Legislation Opinion Letter for FY2016 base program
Organization Chart

D - UTAH ADMINISTRATIVE CODE RULE R309-705

The Rule for Projects Receiving Assistance from the Federal DWSRF can be found at the website <http://www.rules.utah.gov/publicat/code/r309/r309-705.htm>

Construction Loan Program information is available at the website http://www.deq.utah.gov/FeesGrants/funds/drinkingwater/federal_srf.htm#loans